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Inman Resignation Tied to Debate On Widening Intelligence Activity

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WASHINGTON, April 22 — An intense debate in the Reagan Administration over the possible reorganization of counterintelligence operations led indirectly to the resignation of Adm. Bobby R. Inman as Deputy Director of Central Intelligence, senior Administration officials said today.

The internal power struggle, which involved top officials at the White House, Defense Department, Central Intelligence Agency and Justice Department, was ignited earlier this year when President Reagan approved a proposal to conduct a comprehensive review of counterintelligence policy and organization.

Top Aides Opposed Review

Counterintelligence, at a minimum, is the combatting of threats posed by foreign intelligence services, including efforts to infiltrate the American Government. The Federal Bureau of Investigation has primary responsibility for counterintelligence operations in the United States and the intelligence agency has authority for such activities overseas. The armed services have their own organizations to counter espionage threats directed against the military.

Admiral Inman, whose resignation was announced Wednesday by the White House, and other top officials opposed the review, these sources said. The sources said he and the others feared a result might be a consolidation of counterintelligence responsibility in a new organization vested with broad authority to collect information within the United States.

In addition, they were concerned that

a central records system would be created that might threaten the civil liberties of American citizens, officials said.

Proponents of the study, some of whom have openly advocated a reorganization of counterintelligence operations, said a major review was necessary, according to White House officials, because of increased efforts by the Soviet Union and other foreign powers to compromise American intelligence agencies and to infiltrate the Government.

Overhaul Later Ruled Out

Earlier this month, the dispute seemed to be temporarily resolved when the terms of the review were narrowed to include only an examination of how to improve current capabilities without overhauling the system.

But by then Admiral Inman had submitted his resignation to President Reagan, partly out of frustration over the handling of the counterintelligence review by the White House national security staff, friends of Mr. Inman said.

The White House said that Admiral Inman, 51 years old, would leave his job by mid-summer to go into private business, carrying out a longstanding desire to leave Government service. Associates of Admiral Inman said that his departure was prompted by a series of clashes with the White House and mounting disagreement over the direction of the Administration's policies on intelligence gathering and foreign affairs.

He is the first senior national security official to resign voluntarily from the Reagan Administration for reasons related, at least in part, to policy disagreements.

Successor May Be Named Soon

The White House said today that President Reagan planned to move quickly to replace Admiral Inman.

"We've done some preliminary work," said Larry Speakes, the deputy White House press secretary. "I think we'll have someone fairly quickly." Two men were mentioned today as possible successors by intelligence officials. They are John N. McMahon, the executive director of the intelligence agency, the third-ranking position at the agency, and Gen. Lew Allen Jr., Chief of Staff of the Air Force. The nominee would face Senate confirmation.

The struggle over counterintelligence operations began when a transition team appointed by Mr. Reagan to review Government intelligence operations recommended, among other things, an upgrading of counterintelligence capabilities and the creation of a central records system.

One of the advocates was Kenneth E. deGraffenreid, a member of the White House national security staff. Mr. deGraffenreid and others were concerned that the dismantling of the intelligence agency's counterintelligence staff in the mid 1970's crippled the agency's capabilities. They also felt that domestic efforts by the investigations bureau were insufficient.

In a paper submitted to a colloquium in April 1980, Mr. deGraffenreid wrote that the investigations bureau had "failed to increase the manpower or resources" committed to counterintelligence "despite a massive increase in espionage from the Soviet Union."

He proposed creating a "national" counterintelligence organization that would "cut across jurisdictional lines." He said such an organization would likely involve "some functions now specifically excluded" by parts of President Carter's intelligence executive order, including responsibility in such areas as communications and documents security. Those areas are now the responsibility of security staff not specifically trained in counterintelligence techniques.